

Chairman's Statement

On behalf of the Board of Directors of Shanghai Century Holdings Limited ("the Company"), I am pleased to present the audited annual results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2003. During the year under review, the Group focused on its property development business in Shanghai and its surrounding areas, and established its leadership status as a property developer in the PRC. Through this annual report, I would like to thoroughly present the Group's new management and new business strategies to our shareholders.

FINANCIAL PERFORMANCE

For the year ended 31 December 2003, the Group's turnover was approximately HK\$336,219,000, a decrease of 61.33% as compared with HK\$869,439,000 of last year. Profits attributable to shareholders amounted to about HK\$34,089,000, surging 188.87% from HK\$11,801,000 in the previous year. The profit contribution mainly attributable to the sale of Shui Qing Mu Hua and Zendai Jia Yuan projects, which made property sales revenue of about HK\$317,533,000. Basic earnings per share was HK0.8 cents (2002: HK0.3 cents). The disposal of Fourseas Travel businesses in December 2002 was the main element making the Group's turnover decrease significantly during the year under review. Though the sale of air tickets in Fourseas Travel Agent could generate significant turnover amount, it still remained in loss. Furthermore, the delivery of 330 units of the Phase One Shui Qing Mu Hua was postponed from the end of 2003 to early 2004. Thus, those related revenue will be reflected in the fiscal year of 2004.

DIVIDENDS

The Board of Directors does not recommend the payment of final dividends for the year ended 31 December 2003 (2002: nil).

BUSINESS REVIEW

After a series of business restructurings, the Group started a new chapter in business development in 2003. Following the completion of the Group's acquisition of 65% of the interest of Shanghai Zendai Land in late February last year and the injection of 25% of the registered capital of Shui Qing Mu Hua in early 2002, Shanghai Century has completed the Company's basic business reform. In addition, the Group's Chairman Mr. Dai Zhikang in last April successfully completed the general offer of Shanghai Century and became its largest shareholder, holding 58.16% of the Company's interests. This change in shareholding further optimised the Group's equity structure. To inject new energy and a new management direction into the Group, several new members were incorporated into the Board. These included Mr. Zhu Nansong, Mr. Huang Sudong, Mr. Zhao Hangsheng, Mr. Zhang Wei and Mr. Tang Jian. Their rich experience in both the property industry and the capital market will further enhance the Group's brand value, and with the Group's existing advantage in both capital and human assets, our potentials will be fully realised.

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The Group has been focusing on investing in and developing property in the Mainland since 2002, and has achieved a sound reputation in Shanghai. During the year, the Group has been developing property in Shanghai and its neighbourhood, actively identifying land and property development projects with potentials for development to further enhance our profitability and to expand our source of income in order to consolidate our leadership in the property development arena.

During the year under review, the Group acquired 60% interests of Wah Kong Travel Limited ("Wah Kong") at a consideration of HK\$3,690,000. The acquisition was completed in July. Wah Kong was set up in 2001 by several veterans in the field of tourism and hotel management, and has since been operating its core business of organising tours for tourists in the PRC to Hong Kong, Macau and Taiwan, and booking mainland and overseas hotels as well as tickets.

Shanghai's property market was affected by SARS in the first half of 2003, resulting in the postponement of many major property exhibitions and the adoption of low-key publicity for a lot of new property developments. However, according to statistics released by the Shanghai Statistics Bureau in July 2003, the increase in property value in Shanghai in the first half of 2003 was 8.1% higher than the same period in the previous year, and accounted for 6.4% of the GDP of the entire municipality. This shows that the market demand is still great. Hence, as China's economic and financial centre, Shanghai could still achieve healthy and stable growth in its property market in 2003, with residential property prices achieving an accumulative growth of around 25%, overtaking its GDP. The Group expects Shanghai's mid to high-end property prices to achieve sustained growth, with prospects that cannot be overlooked.

With the dedication of the management, 上海證大三角洲置業有限公司 (formerly known as Shanghai New Century Shui Qing Mu Hua Property Development Company Limited), in which Shanghai Century holds a 25% interest, was ranked 16th in the list of "50 Best Fundamental Property Developing Corporations in the Shanghai City" – an enviable achievement.

Moreover, Shui Qing Mu Hua and Zendai Jia Yuan, two flagship property projects blessed with prime geographical location and a quiet environment, were elected as the "Best Residential Properties in Shanghai". In June 2003, 上海市住宅產業協會 and 上海市房地產業協會 co-organised the 3rd "Shanghai Best Residential Properties Competition", and these two property projects were among the finalists in all of the five categories – Best Planning and Design, Best Housing Design, Best Greenery, Best Technological-applied Residential and Best Furnishings and Decoration. The awards won by these two properties is ample proof that the properties developed by the Group are of superb quality, and further establish Shanghai Century as a leading property developer in Shanghai.

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Since the launch of Shui Qing Mu Hua and Zendai Jia Yuan, the Group's mid-to high-end residential development in Pudong District in Shanghai, market response was good and the sales were satisfactory. The high-rise apartments project of Shui Qing Mu Hua is developed in two phases with a total of 855 units. Phase One comprises 432 units, which is already on sale, has recorded satisfactory sales during the year in review. Meanwhile, the project of Shui Qing Mu Hua individual villas has commenced its development on schedule in July last year and is expected for sale in the mid of this year. In addition, Zendai Jia Yuan is developed in four phases. Phase One and Two, totalling 1,600 units, have already been sold out. Phase Three's construction started in June last year, and have already been put on sale, with steady results.

The Zendai Group, the parent company of the Group is also a market leader with nearly a decade of experience in developing property in Shanghai. It has been elected a "famous trademark" in Shanghai's property market – the second property enterprise to win this honour.

PLACEMENT OF SHARES

To expand the Company's capital base and to consolidate the Group's financial status, Shanghai Century signed a conditional placing agreement with investor, Genuine Assets Limited, on 30 January 2004 to place 300,000,000 new shares at HK\$0.1333 per share. Net proceeds were approximately HK\$39,700,000, with approximately HK\$9,700,000 to be used as the Group's operating capital and the remaining HK\$30,000,000 to be invested in property-related development projects with great potential.

OUTLOOK

With the rapid development of the Chinese economy and the continued improvement in the people's standard of living, Shanghai, as China's engine of economic growth, will undergo a new round of development, creating a healthier, more stable and more orderly social and economic environment.

Based on good prospects for the property market in Shanghai, and a large number of major international infrastructural projects are being carried out, including the Shanghai World Expo 2010 and the Shanghai Universal Studio. These will stimulate the demand for high-end property, which is conducive to the development of the Group's property business. Hence the management is very optimistic about the sale of Phase Two of Shui Qing Mu Hua, Phase Three and Phase Four of Zendai Jia Yuan, and Shui Qing Mu Hua's individual villas which are now under construction. It is hoped that these projects will bring sustained and stable profit contributions to the Group's property business in the coming two financial years.

Meanwhile, with the signing of CEPA, Shanghai and Hong Kong, which are located in the Zhang Jiang and Zhu Jiang delta regions respectively, will cooperate even more closely. Shanghai Century attaches great importance to its business synergy with the Zendai Group, with a view to further consolidating their mutual link.

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Looking ahead, the Zendai Group has a solid business foundation and rich experience in the property arena in the PRC, and is expected to go to further depths in developing residential projects and upgrading its original business to a model with investment-operation-management concept. Shanghai Century will actively step up its cooperation with the property arm of the Zendai Group and the management is striving to tie in with the development concepts of the Zendai Group, further strengthening and enhancing the Group's profit base to open up more opportunities for long-term development.

The Group has always been striving to actively develop mid-to high-end property in Shanghai. The hard work of Shanghai Century in the past year fully testifies to the Group's focus on, and dedication to, business development. Capitalising on the continued upgrading of the people's standard of living in China, as well as China's economic momentum, Shanghai Century will further synergise its own and Zendai Group's competitive advantages in Shanghai's property market. Armed with an excellent brand, stable corporate strategies and superb management, we can add value to the projects to meet customers' demands and bring the Group's property business to new heights.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management and all the staff for their hard work, dedication and contributions in the past year. Meanwhile, I would like to thank all our shareholders for their continued support. The Group will continue our efforts to bring even greater returns to our shareholders.

Dai Zhikang

Chairman

Hong Kong, 13 April 2004